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A shopper checks out products at a Costco store. The U.S. economy grew modestly over the summer after nearly stalling in the first six months of the year, lifted by stronger consumer spending and greater business investment.

Economy grew in Q3

Consumers rebound, economy grows 2.5 percent

BY MARTIN CRUSINGER
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WASHINGTON — A summer of modest economic growth is helping dispel lingering fears that another recession might be near. Whether the strength can be sustained, though, is far from clear.

Buoyed by a resurgent consumer and strong business investment, the economy expanded at an annual rate of 2.5 percent in the July-September quarter, the government said Thursday.

The expansion, the strongest quarterly growth in a year, came as a relief after anemic

growth in the first half of the year and weeks of wild stock market shifts.

The economy must grow at nearly double the third-quarter pace to lower high unemployment, which has been near 9 percent for the more than two years since the recession officially ended.

And though consumer spending was triple the level of the second quarter, Americans earned less, on an inflation-adjusted basis, in the July-September period. That meant that many people financed their spending binges by cutting back on savings. Few economists think that can continue.

Economists believe that growth in consumer spending, which accounts for about 70 percent of economic activity, will be restrained until incomes start growing at healthier levels. That is unlikely until hiring picks up.

Paul Ashworth, chief U.S. economist for Capital Economics, predicts that growth will cool off in the fourth quarter and next year.

Nonetheless, the report on U.S. gross domestic product, or GDP, sketched a more optimistic picture for an economy that only two months ago seemed destined for another recession.